

Progression of Medicaid Spending from 2012-2016

5 Slide Series, Volume 46

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The Menges Group

Introduction

- This edition of our 5 Slide Series looks at the progression of Medicaid spending across the four-year timeframe 2012-2016, grouped in the following ways:
 - Spending unrelated to covered services rendered to a given beneficiary. These expenditures include disproportionate share (DSH) and graduate medical education (GME) payments to facility providers, and other supplemental payments.
 - Capitated expenditures, the vast majority of which are paid to Medicaid managed care organizations (MCOs)
 - Fee-for-service (FFS) expenditures paid to providers for the care rendered to Medicaid beneficiaries, based on valid claims submitted for Medicaid's covered services
- These costs were tabulated at the state level and are presented herein for the nation overall, for the subgroup of states (n = 31, including the District of Columbia) that have adopted Medicaid expansion, and for the subgroup of states (n = 20) that have not yet adopted Medicaid expansion.
 - Coverage under the ACA Medicaid expansions became effective on January 1st, 2014 in 24 of the 31 states that adopted expansion; in the 7 other states, coverage became effective between April 2014 and July 2016.
- All data in this edition were tabulated using CMS 64 reports from FFY2012 and FFY2016.

Medicaid Expenditure Progression, 2012-2016

	Medicaid Expenditures (\$ figures in billions)			
	DSH, GME & Supplemental	Capitation	Fee-For-Service	Total
FFY 2012				
Total	\$38.5	\$105.8	\$267.8	\$412.1
Expansion States	\$23.6	\$79.0	\$178.9	\$281.5
Non-Expansion States	\$14.9	\$26.8	\$88.9	\$130.6
FFY 2016				
Total	\$50.4	\$266.8	\$228.6	\$545.8
Expansion States	\$32.5	\$200.6	\$154.0	\$387.2
Non-Expansion States	\$17.9	\$66.2	\$74.6	\$158.6
Percent Change, 2012-2016				
Total	31.1%	152.2%	-14.7%	32.4%
Expansion States	38.1%	154.0%	-13.9%	37.5%
Non-Expansion States	19.9%	146.8%	-16.1%	21.5%

Distribution of Medicaid Costs, 2012 and 2016

	Share of Medicaid Expenditures			
	DSH, GME & Supplemental	Capitation	Fee-For-Service	Total
USA Total				
2012	9.3%	25.7%	65.0%	100.0%
2016	9.2%	48.9%	41.9%	100.0%
Medicaid Expansion States				
2012	8.4%	28.1%	63.6%	100.0%
2016	8.4%	51.8%	39.8%	100.0%
Non-Expansion States				
2012	11.4%	20.5%	68.0%	100.0%
2016	11.3%	41.7%	47.0%	100.0%

Key Findings From Our Tabulations

- Medicaid spending increased an average of 7.3% per year from 2012-2016. Across non-expansion states the average annual increase was 5.0%, versus an 8.3% average annual increase in the expansion states.
- Rapid growth of the capitated MCO model occurred. The percentage of Medicaid expenditures paid via capitation rose from 25.7% in 2012 to 48.9% in 2016. From 2017 forward, it appears that capitation will represent the majority of nationwide spending, while the spending in unmanaged fee-for-service setting will continue to decrease.
- Non-benefits payments (DSH, GME, etc.) increased much more rapidly in the expansion states (8.4% per year) than in the non-expansion states (4.6% per year).
 - This differential was driven by GME, which increased 66% in expansion states versus 14% in non-expansion states.
 - Supplemental payments increased roughly 40% in both expansion and non-expansion states from 2012-2016.
 - DSH payments increased 10% across expansion states and 28% across non-expansion states. The increased DSH payments in the expansion states ran counter to the expectation that Medicaid expansion would coincide with substantial reductions in DSH payments in the expansion states. DSH reductions were intended to be one of the offsets to help finance the costs of Medicaid expansion. During FFY2016, \$13.1 billion in DSH payments occurred in expansion states versus \$6.5 billion in non-expansion states.

5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements.

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Alex Poulouze was instrumental in putting the data together for this edition.